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1. THE SITUATION IN WARSAW

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The Polish regime has succeeded in maintaining control of the situation in Warsaw and preventing any spread of the disturbances while conceding nothing to the students' demands. The students have not been involved in rioting since 4 October, and a student statement circulated on 6 October denied that

they had intended to resort to violence. Cardinal Wyszynski's annual academic year sermon on Sunday advocating moderation has also helped to restore some degree of patience.

The students failed to gain the support of factory workers, notably at the Zeran automobile works. Townspeople on the morning of 7 October were reportedly expressing their disgust with the wildcat disturbances. There has been little of the panic buying which normally accompanies public expectations of serious disturbances.

Neither the Polish nor Soviet military forces have apparently been alerted. Polish military leaders discussing the situation with US officials at a week-end diplomatic party without exception expressed their lack of concern, pointing out their confidence in the militia's ability to handle the situation and their feeling that the "students had now had their fun."

The students, however, still demand the reopening of Po Prostu, the release of those arrested, and the punishment of officials responsible for calling in the militia. If the regime fails to meet any of these demands, or resorts to harsh punishment and press censorship during the week, tempers may again be inflamed and further student demonstrations could result. Despite surface calm, the regime has refused to permit the Polytechnical University to open since 4 October.

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2. CHINESE COMMUNIST REACTION TO SATELLITE LAUNCHING

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[Redacted]

Peiping's initial reaction to the successful launching of the Soviet satellite hails the achievement as "proof" of the "incomparable superiority" of the socialist system. This may be the beginning of a major Chinese propaganda campaign.

Unlike Soviet commentary, which thus far has emphasized the scientific achievements and what the USSR considers to be the political implications of the launching, the Chinese Communists were quick to seize on the military significance of the satellite by linking it to Soviet development of the ICBM. Declaring that the United States can no longer lay claim to being the most powerful nation on earth, an editorial of 6 October in an authoritative newspaper stated that Soviet missile successes have shattered all American "hopes for world hegemony."

Peiping first began asserting last May that the United States "lagged behind" the USSR in missile development, and has given wide publicity to reported "failures" in US missile testing in recent months. The Chinese have emphasized previously that Soviet successes should induce the West to agree to Soviet conditions for a disarmament agreement.

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3. LIBYA'S PRO-WESTERN ORIENTATION STRAINED
BY FRENCH ATTACKS

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The generally pro-Western Libyan government is likely to come under increasing pressure from elements which are using the Franco-Libyan frontier incident of last week to arouse opinion against the West in general and France in particular.

Speakers participating in an anti-Western demonstration in Benghazi on 6 October have demanded abrogation of the Franco-Libyan treaty of friendship and a reconsideration of base agreements and treaties with the United States and Great Britain. The demon-

stration followed the Libyan government's announcement of the details of a French attack on 3 October directed against a Libyan village near the Algerian border. The government has denounced the French "aggression" and requested assistance from the British under the Anglo-Libyan treaty of 1953. Before the incident, Libyan government officials, who had already indicated they hoped to renegotiate the American-Libyan base agreement, had asked for a quick shipment of American military supplies.

In Paris, the American embassy has been informed that the French took action only after being attacked by "unidentified elements" near the "ill-defined" border. The French government reportedly believes that such incidents may continue to occur unless a better demarcation is made.

The American embassy in London reports that the Foreign Office is "much concerned" and considers the French attack to have been [redacted] even if French allegations that Algerian rebels are operating from that area are true. The British reportedly hope to avoid the necessity of complying with the Libyan request for assistance by persuading the French to withdraw any forces which may still be in Libyan territory. [redacted]

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**6. BURMA CONSIDERING ADDITIONAL SOVIET
AGRICULTURAL ASSISTANCE**

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The Burmese government reportedly is considering a Soviet offer of a loan of just under \$10, 000, 000 to permit the acceleration of high-priority agricultural projects. The loan, which would enable Burma to hire 43 additional Soviet technicians and enlarge the existing joint agricultural program, would expand the most successful phase of the USSR's economic aid activity in Burma to date.

The Burmese government wants the American economic aid mission to approve financing of a large-scale land reclamation project already in progress in the Irrawaddy Delta under the recent \$25, 000, 000 loan from the United States. The Russians allegedly are anxious to step in with the required funds for this project because of its propaganda potential.

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Meanwhile, in other spheres of the Soviet assistance program, 50 engineers and construction experts are reportedly now in Rangoon to begin on schedule work on the technological institute and other buildings. In addition, 12 Soviet planning experts now are in Rangoon following up a previous proposal for the construction of cheap concrete housing units.

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